

Message Text

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PAGE 01 MOSCOW 18156 021519Z

ACTION L-03

INFO OCT-01 EUR-12 ISO-00 OMB-01 TRSE-00 CIAE-00
INR-10 NSAE-00 SSO-00 INRE-00 EB-08 SMS-02 COME-00
/037 W

-----048408 021531Z /AN

O 021517Z AUG 78

FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC IMMEDIATE 5055

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E.O. 11652: N/A

TAGS: UR, ETRN

SUBJECT: TAXATION OF INSTRUMENTS OF FOREIGN COMMERCE

REF: A. STATE 191803, B. MOSCOW A-149, C. MOSCOW 13635,
D. MOSCOW 13227 AND PREVIOUS

1. SOVIETS APPARENTLY DO NOT LEVY TAXES ON FOREIGN INSTRUMENTS OF COMMERCE. SOURCES EMBASSY HAS BEEN ABLE TO CONTACT IN LIMITED TIME (MINISTRY OF MARITIME FLEET, FRG, UK, AND NETHERLANDS EMBASSY TRANSPORT OFFICERS, US PRIVATE BUSINESSMAN, AND PANAM REP) ARE UNAWARE OF ANY CASES OF FOREIGN INSTRUMENTS OF COMMERCE PAYING ANYTHING BEYOND ROAD, LANDING, AND PORT FEES. MOREOVER, ALTHOUGH IT IS CONCEIVABLE THAT A SOVIET LAW PERMITTING TAXATION OF FOREIGN INSTRUMENTS OF COMMERCE EXISTS, IN PRACTICE THE ISSUE WOULD BE REGULATED IN SOVIET BI-LATERAL TRANSPORT AGREEMENTS; RESPONSES OF FRG, NETHERLANDS, AND UK TRANSPORT OFFICERS, INDICATE THAT IF THE TAX IN THEORY EXISTS, BILATERAL TRANSPORT AGREEMENTS EXCLUDE IT.

2. RECIPROCITY IS THE GUIDING PRINCIPLE FOR SOVIET TAXATION OF FOREIGN JURIDICAL AND NATURAL PERSONS.

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PAGE 02 MOSCOW 18156 021519Z

ARTICLE 7 OF SOVIET TAX DECREE OF MAY 12, 1978 STATES THAT SOVIET TAXATION OF FOREIGN JURIDICAL AND NATURAL PERSONS MAY BE DISCONTINUED OR LIMITED EITHER ON THE BASIS OF AGREEMENTS WITH FOREIGN COUNTRIES, OR ON THE BASIS OF FOREIGN COUNTRY'S PRACTICE IN TAXING SOVIET JURIDICAL AND NATURAL PERSONS (REF B). ON THE OTHER SIDE OF THE COIN, MINISTRY OF FINANCE OFFICIALS, IN

MEETING WITH E/C COUNSELOR AND EMBASSY OFFICERS JUNE 12,
MADE QUITE CLEAR THAT SOVIET GOVERNMENT WOULD FIND LOCAL
TAXES TO IMPOSE ON US CITIZENS (AND PRESUMABLY FIRMS),
IF IT IS FOUND THAT SOVIET CITIZENS (AND PRESUMABLY FIRMS)
ARE SUBJECT TO US STATE AND LOCAL TAXES (REF C PARA 2).

3. EMBASSY'S READING OF US-SOVIET TAX CONVENTION, HOWEVER, IS THAT TAXATION OF FOREIGN INSTRUMENTS OF COMMERCE COULD BE PRECLUDED EITHER BY ARTICLE V(1) AND V(2), OR BY ARTICLE III(2)(B). THIS APPARENTLY IS THE SOVIET READING OF THE TAX CONVENTION, SINCE MORFLOT OFFICIAL, INDEPENDENT OF EMBOFF'S QUESTION ON THE EXISTENCE OF SUCH TAXES ON SHIPPING, STATED THAT THE US-SOVIET TAX CONVENTION PRECLUDES SUCH A PRACTICE.
TOON

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MARINE TRANSPORTATION, INSTRUMENTS, FEES, TAXES, AIRLINES
Control Number: n/a
Copy: SINGLE
Draft Date: 02 aug 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978MOSCOW18156
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780316-0360
Format: TEL
From: MOSCOW
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808107/aaaadmbb.tel
Line Count: 77
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ca078b58-c288-dd11-92da-001cc4696bcc
Office: ACTION L
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 78 STATE 191803, 78 MOSCOW A-149, 78 MOSCOW 13635, 78 MOSCOW 13227
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1561977
Secure: OPEN
Status: NATIVE
Subject: TAXATION OF INSTRUMENTS OF FOREIGN COMMERCE
TAGS: ETRN, UR, US
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/ca078b58-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014